



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 12, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Primghar
Charter Number 4155
180 South Hayes Avenue
Primghar, Iowa 51245**

**Office of the Comptroller of the Currency
117 Pierce Street, Suite 100
Sioux City, Iowa 51101**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of The **First National Bank of Primghar** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of September 12, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Needs to Improve.

The First National Bank of Primghar's lending levels do not meet the new standards for satisfactory CRA performance. The bank's loan-to-deposit ratio is well below the average of other banks in the assessment area.

The following table indicates the performance level of **The First National Bank of Primghar** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Primghar</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio			X
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis not meaningful.		
Response to Complaints	No complaints were received since prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Primghar (FNB) is a \$21 million bank located in O'Brien County in northwestern Iowa. The bank has one main location in Primghar, Iowa, with no branches or ATM's. There are no legal or financial impediments limiting the bank's ability to fulfill its CRA obligation. The previous CRA rating was "Satisfactory" on September 14, 1993.

As of June 30, 1996, the investment portfolio comprised 68% and the loan portfolio comprised 27% of total bank assets. The bank's primary credit products are agriculture, real estate and consumer installment. The table below breaks down the loan portfolio by outstanding dollars and outstanding number of loans.

	% of outstanding loan dollars	% of outstanding # of loans
Agricultural Loans	56%	46%
Real Estate Loans	28%	12%
Consumer Installment Loans	14%	38%
Commercial Loans	2%	4%

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNB's assessment area includes Block Numbering Areas (BNA's) 9901, 9902 and 9904 in O'Brien County. The assessment area meets the requirements of CRA. Individuals can refer to the CRA Public File for a map outlining the bank's assessment area.

The median family income of the area is \$26,574, or 72% of the 1996 Iowa statewide non-metropolitan median family income of \$37,000. All BNA's are middle income. Family incomes in the area are: 16% low income; 22% moderate income; 27% middle income; and 35% upper income. Agriculture dominates the economy of this area. Other major employers include the community school district, county government services, health services and a long-term health care center. As of 1990, the population of the assessment area was 10,471 with 4,057 households.

Members of the community contacted by examiners identified agriculture, housing, and small business as primary credit needs.

Primary competition includes one community national bank and five community state banks within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

FNB's lending performance under the CRA regulation does not meet the new standards for satisfactory performance. FNB's loan to deposit ratio has ranged from 27% to 38% , with a quarterly average of 33%, over a three-year period ending June 30, 1996. The only other financial institution in Primghar, a \$20 million community bank, reported a 66% loan-to -deposit ratio as of June 30, 1996. FNB has the lowest ratio when compared to the other 6 banks in the assessment area. The loan-to-deposit ratios of the other 6 banks range from 58% to 78%, with an average of 66%. The bank's 1995 average loan-to-deposit ratio of 34% places it in the 8th percentile compared to its national peer group. FNB does not sell any loans on the secondary market and does not participate any loans to other financial institutions.

The bank's low loan-to-deposit ratio stems from an overall low volume of loans. FNB only originated 182 consumer instalment and 8 residential real estate loans since the September 1993 CRA evaluation. This volume is very low for a bank of its size.

Members of the community contacted by examiners stated the main reason for the low lending levels at FNB is the historical conservative nature of the bank, which has left a lasting impression on the members of the community. They also talked of several "neutral" applicants who applied for credit at both FNB and the other bank in Primghar and were only approved at the other bank. Community contacts also noted the level of assistance provided to customers is better at the other bank in Primghar. Examiners also noted FNB does not offer a wide variety of credit products. For example, the bank does not offer adjustable-rate or long-term real estate loans, only short-term fixed rate.

Lending In Assessment Area

FNB originates a substantial majority of its loans within the assessment area (AA). The table below shows the findings of our sample:

ASSESSMENT AREA CONCENTRATION (Out of 524 loans originated since last examination)

	# of Loans	%	\$ of Loans	%
Inside AA	508	97%	\$9,610,962	98%
Outside AA	16	3%	\$159,610	2%
TOTALS	524	100%	\$9,770,572	100%

Lending to Borrowers of Different Incomes and to Farms/Businesses of Different Sizes

The distribution of loans to borrowers of different income levels and farms/businesses of different sizes is reasonable. FNB originated 8 real estate loans since the last CRA evaluation. Of those 8 loans, 5 were moderate-income borrowers, 1 middle-income borrower and 2 upper income borrowers. Because the bank does not collect income information on consumer instalment loans, loan size was used as a proxy to determine if the bank is lending to borrowers of different income levels. Since the last CRA evaluation in September 1993, FNB made 182 consumer instalment loans. Of those loans, 24% were less than \$1,000 and 70% were less than \$5,000. The table below demonstrates the banks effort to loan to lower- income borrowers.

CONSUMER INSTALMENT LOANS ORIGINATED SINCE SEPTEMBER 1993

	\$ of Loans	% of Total \$	# of Loans	% of Total #
\$0 - \$1,000	\$24,672	3%	43	24%
\$1,001 - \$2,000	\$53,151	6%	32	18%
\$2,001 - \$3,000	\$50,690	6%	19	10%
\$3,001 - \$4,000	\$75,233	9%	21	12%
\$4,001 - \$5,000	\$57,830	7%	12	7%
\$5,001 +	\$556,310	69%	55	30%
TOTALS	\$817,886	100%	182	100%

The bank also loans to farms and businesses of different sizes. The table on the next page demonstrate the bank's performance in making farm / business loans to operations of all sizes.

LOANS TO FARMS AND BUSINESSES OF DIFFERENT SIZES

(FNB originated 334 agricultural and commercial loans originated since the last examination)

Gross Revenue of Farm / Business	# of Loans	%	\$ of loans	%
\$0 - \$100,000	6	33%	\$201,476	31%
\$100,001 - \$250,000	6	33%	\$305,352	46%
\$250,001 - \$500,000	3	17%	\$103,281	16%
\$500,001 - \$1,000,000	3	17%	\$48,300	7%
over \$1,000,000	0	0%	\$0	0%
TOTALS	18	100%	\$658,409	100%

Geographic Distribution of Loans

All BNA's in the assessment area are middle income. Therefore, specific analysis of geographic distribution is not meaningful.

Response to Complaints

The bank received no written complaints related to CRA performance.